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C O N F I D E N T I A L SECTION 01 OF 03 YEREVAN 000249

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SUBJECT: FUGITIVE MP'S PRESS SECRETARY VISITS EMBASSY

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Classified By: Charge d'Affaires Joseph Pennington, reasons 1.4 (b/d).

SUMMARY

¶1. (C) Anna Mkrtchian, press secretary for the fugitive Armenian member of parliament Khachatur Sukiasian, visited the Embassy March 17 to discuss her boss's plight. She said authorities continue to exert pressure on Sukiasian's family and associates that began last fall when he became Armenia's sole oligarch to publicly support ex-president Levon Ter-Petrossian. The National Security Service periodically searches Sukiasian's homes, some of his associates remain in jail, and the GOAM continues to withdraw its financial holdings held in Sukiasian's ArmEconBank. Mkrtchian indicated Sukiasian is out of the country, and said nobody knows his whereabouts. She predicted the demonstrations against Armenia's ruling regime would resume after the lifting of the state of emergency, but thought that the protest movement could dissipate if the authorities succeed in sidelining its leadership. END SUMMARY.

TAKING A RISK IN COMING TO THE EMBASSY

¶2. (C) Mkrtchian is formally the press secretary for Sukiasian's Sil Group holding company. She said her family and colleagues had counseled her against coming to the Embassy, over fears that the authorities could punish her for advocating Sukiasian's case with the international community. "But if I don't do it," she declared, "nobody else" will, referring to her colleagues in Sukiasian's embattled corporate family. Sil Group came under pressure in October when authorities launched intrusive tax audits and arrested two of its executives within days of Sukiasian's public endorsement of LTP's presidential bid. (NOTE: As a member of parliament, it is illegal for Sukiasian to directly own or manage a business, but Sil Group is his creation and is legally held by family members and associates, while Sukiasian himself remains honorary chairman. This has become typical for Armenia's oligarch MPs, given the counter-productively strict rule barring MPs from private enterprise. END NOTE.)

¶3. (C) Mkrtchian delivered a one-page declaration with 1,000 supporting signatures that calls attention to what it calls the authorities' unwarranted political persecution of Sukiasian, including the parliament's March 4 decision to

strip him and three other deputies of their parliamentary immunity. She said she has shared the declaration with other diplomatic missions and international organizations, political parties, the Speaker of the Parliament, and the European Bank for Reconstruction and Development (EBRD) that owns a 25 percent share in Sukiasian's ArmEconomBank.

PRESSURE IS STILL ON

¶4. (C) Mkrtchian said the pressure that authorities initiated against Sukiasian last fall has never abated, in fact it has only intensified in the post-election environment. Since the MP became a fugitive, the NSS has paid visits every three days to his family's home in Yerevan and vacation home in nearby Tsahkadzor to check on his whereabouts. The first visit of the NSS took place on March 1, just after authorities cleared Freedom Square, when the NSS came to Sukiasian's home ostensibly to search for weapons. The MP was home, and reportedly the NSS didn't find anything. Mkrtchian said hundreds of neighbors and supporters spontaneously gathered to show their support for Sukiasian during this March 1 search, which one of Armenia's TV stations aired.

¶5. (C) Mkrtchian indicated that Sukiasian is out of the country, but did not know where. She says no contact has been made since he went into his hiding. His family (wife, married daughter and 15-year-old son) are worried for their safety, and Mkrtchian said they have remained indoors since Sukiasian went into hiding. (NOTE: Sukiasian's daughter is married to the son of recently jailed Deputy Prosecutor General Gagik Jahangirian, who was fired February 22, immediately after he publicly pledged his support to LTP on Freedom Square. Jahangirian was subsequently arrested late on February 23 in a violent altercation with police that resulted in his brother being wounded by gunfire. END NOTE.)

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Mkrtchian says friends, relatives, and business associates of Sukiasian have been detained and questioned since the MP went into hiding.

¶6. (C) Sukiasian's two business associates who were detained in late October remain in jail for alleged tax evasion charges. One of them directs a pizza chain for Sukiasian's SIL Group, and the other a printing house. The director of the printing house is Sukiasian's male cousin. Also, two of the MP's bodyguards who were detained by police on February 24 remain in jail on charges of illegal possession of weapons. Their arrest took place the evening after the former Deputy Prosecutor General was arrested, also on the same charges.

¶7. (C) Mrktchyan said that pressure on the SIL Group has gradually subsided since the muscular October tax inspections, with the notable exception of Sukiasian's ArmEconomBank. She says the GOAM and public institutions with deposits in the independent bank have gradually drawn down their assets in the bank, to the tune of USD 30 million since October. EBRD owns a 25 percent share in ArmEconomBank, having extended the bank a syndicated loan of USD 15 million as part of a program to stimulate credit availability to Armenia's growing entrepreneurial class. (NOTE: While the EBRD credit program was in process long before Sukiasian jumped into pro-LTP presidential politics, EBRD's AmCit resident director deliberately pressed ahead with the program anyway, in a purposeful signal of disapproval of authorities' flagrant abuse of power to punish a political opponent. END NOTE.) The EBRD director subsequently became a target -- one among many -- of a hate-speech DVD produced by pro-government forces and later aired on national television that attacked him for his Jewish heritage.

¶8. (C) Mrktchyan said the decision to strip Sukiasian of his parliamentary immunity on March 4 was done to silence Sukiasian once and for all. Surprisingly, Sukiasian's lone parliamentary staffer has still been manning the office since the parliament's special session to strip the immunity of the four pro-LTP MPs. Mrktchian said the staffer received "solidarity" visits by more than a few MPs after the session who questioned the official vote tally (85-22), and alleged the results had been adulterated.

NEXT SIX MONTHS

¶9. (C) Mrktchian struck a somber tone about the way forward, saying the round-up of protest leaders and scare tactics by the authorities could have a dampening effect on opposition political expression. She said people will come out "to protest injustice" in Armenia, but they would eventually tune out or give up if the authorities maintained their iron-fisted ways. She said Armenians would be broken, and some would seek to leave the country as a result. She maintained LTP's public line that a new election was the only redress available, and that barring that, all other measures and gestures would ring hollow and be greeted by public skepticism, which is already sky high. Mrktchian asserted that "human beings are nothing" in today's Armenia, and that "we didn't even feel this way" during the 1992-94 war with Azerbaijan over Nagorno-Karabakh which resulted in mass privations for the Armenian people.

COMMENT

¶10. (C) The last time we met with Mrktchian was with her boss in November. Now that he's on the run, she has been left with the unenviable task of highlighting his fate to the international community. We have reason to believe Mrktchian's account that Sukiasian has indeed left the country, with some reports putting him in Georgia and others in Dubai. We have no illusions that Khachatur Sukiasian is a paragon of enlightened, free-market capitalism. No Armenian oligarch has entirely clean hands, and we have little doubt that he has almost certainly bent and broken dozens of legal and ethical rules over the years, probably most of all during his skyrocket to wealth during the LTP administration. Sukiasian has probably been more cautious in recent years. What is obvious is that Armenia's rules of big business are starkly different depending on where an entrepreneur bestows his political loyalties. A pro-government oligarch is a virtual law unto himself, so long as the political masters

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get their share. Those who publicly break with the ruling regime, however, do so at their peril. END COMMENT.
PENNINGTON